

Minutes: Policy Subcommittee Meeting

Tuesday, March 7, 2000, 1:00 p.m.
Salt River Project - 1600 North Priest Dr., Tempe, Arizona 85281

Topic	Lead	Outcome	Att.
1 Welcome, Intro, Sign-In	Evelyn R. Dryer	Evelyn called meeting to order at 1:20PM.	1
2 Review Minutes of February 29, 2000 Meeting	Evelyn R. Dryer	No minutes were received. Minutes for the February 29, 2000 meeting will be reviewed at the March 14, 2000 meeting.	
3 Discuss Deb Scott's Comments Regarding Report Format	Evelyn R. Dryer	Deborah Scott discussed a) how to handle possible rule change(s) and b) report format: a) Parties should submit individual waiver requests or joint waiver requests on those items with consensus. Waiver requests could lead to rule changes. Deborah distributed an example of a waiver request. b) Report format should be in plain style, i.e., not legalese or rule format.	
4 Review Issue List	Evelyn R. Dryer	New Issues Nos. 73, 74, 75 & 76 were discussed and assigned to appropriate subcommittees. Extensive discussion of issues Nos. 73 & 74. #73) Why is NERC not using GMT? Should workgroup send a letter to NERC? #74) Final report should not contain only consensus views, but also all dissenting views, especially since minutes of meetings are not very detailed. Please refer to updated Issues List for further detail. (attached to e-mail)	
5 Discuss Specific Items from Issue List: A. #28, #36, #56: Barbara Klemstine will present a position paper on what ACC rules need to be changed to accommodate the provision of MSP services. B. #32, #44, #54: Metering Subcommittee will report. C. #38: Metering Subcommittee will report.	Evelyn R. Dryer	A. The position paper (attached) was distributed to members. Paper will be discussed at March 14, 2000 meeting along with possible proposed waivers and/or rule changes. What is ACC Staff interpretation of subcontracting? B. Much discussion of these issues. UDCs are to look into options such as leasing, long-term payment plans, or any other possibilities. Parties are to bring any knowledge of what is done for these type issues in California and what are pros/cons of California model. Parties shall be prepared to state which of the following they prefer for rule ACC Rule 1612.K.10 and explain why: a) Leave rule as is b) State that UDC "shall" own (CT, PT, VT) c) State that UDC "shall not" own d) State that UDC "may own, at the discretion of the customer" Steve Olea is to try and explain ACC Staff's interpretation of rule 1610.K.10. C. Due to time, Issue #38 was not discussed - moved to March 14, 2000 meeting.	3
6 Items for Next Agenda	Evelyn R. Dryer	Please see Attachment #2 to these minutes for details.	2
7 Meeting Evaluation	Evelyn R. Dryer	No discussion.	
8 Adjourn	Evelyn R. Dryer	Meeting was adjourned at 5:00PM	

Attachment 1- Policy Subcommittee

ARIZONA PROCESS STANDARDIZATION WORKING GROUP
Policy Subcommittee
March 7, 2000 Attendance List

Subcommittee Meeting Attendees	Organization
Pichoff, Darrel	K R Saline
Nuszlock, Larry	Salt River Project
Castillo, Renee	Salt River Project
Aguayo, Stacy	Arizona Public Service (APS)
Olea, Steve	Arizona Corporation Commission
Scarbrough, Stacy	APS
Wontor, Jim	APS Energy Services
Goggin, Laurie	Facilitator
Renfro, Shirley	Pinnacle West
Bertling, Priscilla	City of Mesa
Dryer, Evelyn R.	Tucson Electric Power
Cobb, Anne	Trico Electric Co-op
Wenzel, Ray	Excelergy
Taylor, Paul	Utility.com
Merideth, John	Arizona Electric Power Co-op (AEPCO)
Laos, Dan	AEPCO
Scott, Barry	Sulphur Springs Valley Electric Co-op
Scott, Deborah	Arizona Corporation Commission
Klemstine, Barbara	APS Energy Services

Agenda:
Policy Subcommittee Meeting

Tuesday, March 14, 2000, 1:00 -5:00 p.m.
Salt River Project - 1600 North Priest Dr. Tempe, AZ 85281

Topic	Lead	Anticipated Outcome	Att.
1 Welcome, Introductions, Sign-In	Evelyn R. Dryer		
2 Review Minutes of February 29 and March 7, 2000 Meetings	Evelyn R. Dryer		
3 Review Issue List	Evelyn R. Dryer		
4 Discuss Specific Items from Issue List:	Evelyn R. Dryer		
A. #28, #36, #56: Discuss position paper and possible rules change(s) and/or waivers. What is ACC Staff interpretation of subcontracting?			
B. #32, #44, #54:			
a) UDCs to discuss review options of leasing, long-term payment plan, etc. and discuss why they are against ownership of PT, CT, VT.			
b) Parties are to bring any knowledge of what is done for these type issues in California and what are pros/cons of California model.			
c) Parties shall be prepared to state which of the following they prefer for rule ACC Rule 1612.K.10 and explain why:			
i) Leave rule as is			
ii) State that UDC "shall" own (CT, PT, VT)			
iii) State that UDC "shall not" own			
iv) State that UDC "may own, at the discretion of the customer"			
d) What is ACC Staff interpretation of Rule 1610.K.10?			
C. #38: Metering Subcommittee will report			

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| 5 | Evelyn to develop joint waiver request for GMT for discussion. | Evelyn R.
Dryer |
| 6 | Items for Next Agenda | Evelyn R.
Dryer |
| 7 | Meeting Evaluation | Evelyn R.
Dryer |
| 8 | Adjourn | Evelyn R.
Dryer |

Current Situation:

Currently the ACC Competition Rules (R14-2-1615) provide that UDCs cannot provide competitive metering services beyond 2000 except for load profiled residential customers. Cooperatives are not subject to the provisions of R14-2-1615 unless they offer competitive electric services outside of its service territory. Arizona appears to be one of the few states to elect to prohibit the UDCs from providing these services. Attached is a summary of the provisions that various states have adopted.

Issues:

With the slow start of competition in Arizona, there will be insufficient customers going direct access to provide enough of a market for MSPs to have a local presence in Arizona. Therefore, MSPs must travel from California primarily to do work in Arizona. This increases the cost for meter installations and ongoing maintenance. For reliability and emergency situations ESPs can you use the UDCs. The Commission has approved tariffs for both APS (Schedule #1) and TEP (Terms and Conditions) that allow for this in these situations. Essentially approvals of these tariffs by the Commission have provided for waivers from the Rules for both TEP and APS. Additionally, the Rules prohibit an UDC from providing metering services for non-residential load profiled customers. These customers do not need a new meter to go to direct access. The cost of installing a new meter and equipment to read remotely would prohibit them having access to the market.

Objectives:

Balance the objective of reducing the costs of metering services until such time that there are sufficient customers in the direct access market to support full-time MSP employees locally in Arizona without seriously compromising the long term goal of a competitive metering market.

Alternatives/Justification:

- 1. Allow the UDCs to provide metering services (MSP & MRSP) for non-residential load profiled customers. (Would require a Rule Change to 1615 or Waiver.)**

Residential and non-residential load profiled customers should not be distinguished differently. UDCs were permitted to provide metering services to residential customers to protect them and lower the transaction costs associated in choosing an alternative provider. Small commercial customers also need that protection and cost reduction to make direct access a viable alternative for them.

- 2. Allow the UDCs to provide metering services (MSP only) for interval metered customers until December 31, 2003. Specifically, UDCs should be able to provide labor to the ESPs and procure equipment on their behalf. Ownership of the meter, PTs and CTs would remain as in the existing Rules. Since labor is a direct pass through under traditional cost of service regulation, as an incentive to provide the services, the UDCs could be allowed to reasonably mark up the services. (Would require a Rule Change to 1615 or a Waiver.)**

Since interval meters will be read remotely MRSPs should be able to adequately provide services to ESPs regardless of the actual number of customers that go DA. However, a local presence is needed for MSPs to reduce the cost of installing and maintaining meters and associated equipment. By 2004, hopefully there will be a sufficient market to

financially support MSPs to maintain a business in Arizona. Reducing the transaction cost for a customer to go DA will help the development of the competitive market and effectively allow for more customers to have choice.

- 3. Modify Staff interruption of the Rules, such that, certificated MSPs and MRSPs can subcontract with a non-certificated entity to provide services. Permitted, as long as an ESP is financially and technically responsible for that sub-contractor's performance "as their agent" and their compliance with the Rules. (Rule change necessary? – Staff to Address)**

Subcontracting is a way of doing business today. Subcontracting can provide an alternative way to do business in Arizona to reduce the transaction costs of being physically located in another state. The ESP assumes all liability for the agent acting on their behalf. Agent must meet the technical qualifications required by the Rules.

State	Metering Services Competitively Unbundled	Competitive Metering Services Provided by the UDC
Arizona –Investor Owned	Yes	No, beyond 2000 with the exception of the Cooperatives in certain circumstances.
Arizona – Public Power	Yes	Yes
California	Yes	Yes
Pennsylvania PECO	Yes, after the phase-in?	Yes
Nevada	Yes	No
New York	Yes	Yes
New Jersey	Yes, after the 1 st year	Yes?
Maryland	Yes, beginning in 2002	Yes.